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INDEPENDENCE BOWL FOUNDATION, INC.

Shreveport, Louisiana

FINANCIAL STATEMENTS

February 28, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/17/03

INDEPENDENCE BOWL FOUNDATION, INC.

SHREVEPORT, LOUISIANA

February 28, 2003

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SMITH PUGH & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Independence Bowl Foundation, Inc.
Shreveport, Louisiana

We have audited the accompanying statement of financial position of the Independence Bowl Foundation, Inc. as of February 28, 2003, and the related statement of activities, and cash flows for the year then ended. These financial statements are the responsibility of the management of the Independence Bowl Foundation, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Independence Bowl Foundation, Inc. as of February 28, 2003, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2003, on our consideration of the Independence Bowl Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Independence Bowl Foundation, Inc. taken as a whole. The accompanying NCAA form "Schedule of Gross Receipts" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Smith Pugh & Company, LLP
Smith Pugh & Company, LLP
Shreveport, Louisiana
April 3, 2003

FINANCIAL STATEMENTS

INDEPENDENCE BOWL FOUNDATION, INC

Statement of Financial Position

February 28, 2003

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,994,178	
Certificates of deposit	449,983	
Accounts receivable	44,610	
Prepaid expenses	19,312	
Total current assets		\$ 2,508,083

Leasehold Improvements:

Scoreboard	1,530,200	
Pressbox renovations	206,600	
	1,736,800	
Less accumulated amortization	(216,832)	
Total leasehold improvements		1,519,968

Deposits		7,015
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Total assets		\$ 4,035,066
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LIABILITIES AND NET ASSETS

Current Liabilities:

Due to participating teams	\$ 1,631,112	
Accounts payable	29,338	
Accrued interest payable	13,938	
Payroll withholding payable	1,871	
Note payable	1,200,000	
Total current liabilities/Total liabilities		\$ 2,876,259

Net Assets:

Unrestricted net assets:

Designated by Board for debt service	25,419	
Undesignated	813,420	
Leasehold improvements, net of related debt	319,968	
Total unrestricted net assets/Total net assets		1,158,807

Total liabilities and net assets		\$ 4,035,066
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The accompanying notes are an integral part of these financial statements.

INDEPENDENCE BOWL FOUNDATION, INC.

Statement of Activities For the Year Ended February 28, 2003

Revenues:

Independence Bowl:

Ticket sales	\$ 1,518,920	
Title sponsorship	800,000	
Other corporate sponsorships	116,652	
Grants from state and local governments	513,986	
Television and radio revenues	516,500	
Scoreboard advertising	268,215	
Other revenues	171,653	
Donated facilities	60,000	
Total revenue from Independence Bowl		\$ 3,965,926

Other:

Memberships	45,240	
Interest income	22,586	
Total other revenue		67,826

Total revenues

4,033,752

Expenses:

Program Services

Independence Bowl:

Distributions to participating teams	2,521,940	
Advertising and promotion	120,066	
Bowl related events	175,655	
Trophies, awards and souvenirs	75,208	
Game day expenses	168,503	
Amortization of pressbox renovations	4,304	
Scoreboard expenses:		
Amortization	170,022	
Interest expense	93,614	
Other scoreboard related expenses	63,475	
Other expenses	61,872	

3,454,659

Membership services

8,091

Total program services

3,462,750

Supporting Services

Management and general

558,183

Fund-raising

33,782

Total expenses

4,054,715

Change in net assets

\$ (20,963)

The accompanying notes are an integral part of these financial statements.

INDEPENDENCE BOWL FOUNDATION, INC.

Statement of Changes in Net Assets
For the Year Ended February 28, 2003

Net assets at February 28, 2002 as previously stated	\$ 1,006,431
Prior year adjustments (see Note 10)	<u>173,339</u>
Net assets at February 28, 2002 as restated	\$ 1,179,770
Change in net assets	<u>(20,963)</u>
Net assets at February 28, 2003	<u><u>\$ 1,158,807</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENCE BOWL FOUNDATION, INC.

Statement of Cash Flows
For Year Ended February 28, 2003

Cash Flows from Operating Activities:

Change in net assets	\$ (20,963)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	174,326
Increase in assets:	
Accounts receivable	(44,610)
Prepaid expenses	(6,700)
Increase (decrease) in liabilities:	
Due to participating teams	12,968
Accounts payable	29,338
Accrued expenses	(3,361)
Net Cash Provided by Operating Activities	<u>140,998</u>

Cash Flows from Investing Activities:

Purchase of leasehold improvements	(206,600)
Return of principal from certificates of deposit less reinvested interest	50,005
Net Cash Used by Investing Activities	<u>(156,595)</u>

Cash Flows from Financing Activities:

Payment on note payable	<u>(150,000)</u>
Net Cash Used by Financing Activities	<u>(150,000)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(165,597)
Cash and Cash Equivalents, Beginning of Year	2,159,775
Cash and Cash Equivalents, End of Year	<u>\$ 1,994,178</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	<u>\$ 95,110</u>
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The accompanying notes are an integral part of these financial statements.

INDEPENDENCE BOWL FOUNDATION, INC.

Notes to Financial Statements
February 28, 2003

1. *Nature of Activities and Significant Accounting Policies:*

Organization and Nature of Activities

The Independence Bowl Foundation, Inc. ("the Foundation") is a tax-exempt nonprofit organization established for the purpose of advertising and promoting sports in the Shreveport-Bossier City, Louisiana area. The Foundation consists of numerous volunteer committees, which carry out all its functions. The Foundation is the sponsoring organization for the MainStay Independence Bowl, which is promoted and served through the Foundation's membership.

General

The summary of significant accounting policies of the Independence Bowl Foundation, Inc. is presented to assist in the understanding of the Foundation's financial statements. The financial statements and notes thereto are the representation of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories follows:

Unrestricted – Net assets whose use is not subject to any restrictions.

Temporarily Restricted – Net assets whose use is subject to restrictions that can be fulfilled by actions pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets whose use is subject to restrictions that may be maintained permanently. No permanently restricted assets were held during the year ended February 28, 2003.

Income Taxes

The Foundation is exempt from federal and state income taxes under IRS Code Section 501(c)(12). Accordingly, there is no provision for income taxes in these financial statements.

INDEPENDENCE BOWL FOUNDATION, INC.

Notes to Financial Statements

February 28, 2003

1. *Nature of Activities and Significant Accounting Policies (continued):*

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated approximately 13,000 hours to the Foundation's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, goods and facilities are reflected in the statement of activities at their fair value.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of 90 days or less when purchased. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments. At February 28, 2003, and throughout the year then ended, the Foundation's cash balances were deposited in several banks. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

Leasehold Improvements

Leasehold Improvements are recorded at cost. Amortization for reporting purposes is computed using the straight-line method over the remaining life of the lease.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. *Certificates of Deposit*

Certificates of deposit consisted of the following as of February 28, 2003, and are stated at cost.

Financial Institution	Amount
AmSouth Bank	\$ 100,687
Bank One, N.A.	121,339
Citizens National Bank	100,783
Regions Bank	127,174
Total	<u>\$ 449,983</u>

INDEPENDENCE BOWL FOUNDATION, INC.

Notes to Financial Statements
February 28, 2003

3. Distributions to Participating Teams

Per agreements with the Big Twelve Conference and the Southeastern Conference, the Foundation agrees to pay to each participant in the game the greater of (1) \$1,200,000 or (2) 37.50% of the gross receipts of the game as defined in the then current NCAA Post-Season Football Handbook. The current agreements end with the game to be held after the 2005 football season. The following is the minimum distributions to the participants for the years ending February 28:

Year Ending February 28,	Amount
2004	\$ 2,400,000
2005	2,400,000
2006	2,400,000
	<u>\$ 7,200,000</u>

As part of the agreement, each participating university must purchase a minimum of 12,000 tickets. The Foundation is able to deduct from the gross distribution the amount of the tickets even if the university did not sell the tickets.

The following is a recap of the distributions and payables to the teams that participated in the 2002 MainStay Independence Bowl:

	Mississippi	Nebraska	Totals
Calculated gross payout	\$ 1,260,970	\$ 1,260,970	\$ 2,521,940
Less:			
Value of game tickets allocated to and retained by participating institutions and other items	(440,015)	(450,813)	(890,828)
Balance due to participating teams	<u>\$ 820,955</u>	<u>\$ 810,157</u>	<u>\$ 1,631,112</u>

4. Cooperative Endeavor Agreement

On August 13, 2001, the Foundation entered into a cooperative endeavor agreement with the City of Shreveport, Louisiana, to produce an annual football game referred to as the Independence Bowl. The agreement provides that the foundation will be paid \$100,000 per year through the 2010 game and the use of public facilities, including Independence Stadium, at no rental charge. The estimated fair market value of the use of the facilities is \$60,000. The Foundation was allowed to improve the stadium's facilities with renovations to the pressbox and the addition of a scoreboard. After the debt related to scoreboard is paid, the scoreboard becomes the property of the City of Shreveport.

INDEPENDENCE BOWL FOUNDATION, INC.

Notes to Financial Statements
February 28, 2003

5. Leases

During June 2003, the Foundation renegotiated its lease for office space in the American Tower in Shreveport, Louisiana. The new lease term commenced on July 1, 2003 and ends May 31, 2008. Total rent expense for office space during the year ended February 28, 2003, was \$32,371. The following is a schedule by year of future minimum rental payments due under the operating lease agreements:

Year Ending February 28,	Amount
2004	\$ 32,975
2005	34,735
2006	35,858
2007	37,200
2008	37,200
2009	9,300
	<u>\$ 187,268</u>

6. Note Payable:

On September 3, 2001, the Foundation obtained a loan from Hibernia National Bank in the amount of \$1,500,000 to purchase a scoreboard. One May 1, 2003, the Foundation renegotiated a new variable interest rate based on the London Inter-Bank Offered Rate plus 2.15%. The initial rate as of May 1, 2003, was 3.464%. The loan is due upon demand. However, if no demand is made, the loan will be repaid in 10 annual principal payments of \$150,000 each beginning November 30, 2001. Interest will be paid quarterly beginning December 31, 2001, with all subsequent interest payments due on the same day of each quarter thereafter.

The annual requirements to amortize all long term debt as of February 28, 2003, is as follows:

Year	Total
2004	\$ 150,000
2005	150,000
2006	150,000
2007	150,000
2008	150,000
Thereafter	450,000
	<u>\$ 1,200,000</u>

The Foundation has historically funded the debt service by selling advertising space on the scoreboard. The Foundation intends to continue funding the debt service in this manner until it is paid in full.

INDEPENDENCE BOWL FOUNDATION, INC.

Notes to Financial Statements
February 28, 2003

7. *Title Sponsorship*

On December 19, 2000, the Foundation entered into agreement with NYLIFE Distributors, Inc., which is the distributor of MainStay Funds for naming rights for the Independence Bowl through the game to be held in 2003. Thereafter, NYLIFE Distributors could renew the agreement for one-year periods. The last payment required by the agreement is due in the year ending February 28, 2004, for \$850,000. NYLIFE Distributors also agreed to pay the Right to Entitlement fee that ESPN required (See Note 8).

8. *Television and Radio Rights*

On September 27, 2000, the Foundation amended and extended its agreement with ESPN for the broadcast rights of the MainStay Independence Bowl through the 2007 game. The following is the rights fees payable to the Foundation for the years ending February 28:

Year	Total
2004	\$ 530,000
2005	530,000
2006	550,000
2007	550,000
2008	600,000
	<u>\$ 2,760,000</u>

As part of the agreement with ESPN, the Foundation will pay the following sums to ESPN for the right of entitlement for the years ending February 28:

Year	Total
2004	\$ 200,000
2005	216,000
2006	234,000
2007	250,000
2008	260,000
	<u>\$ 1,160,000</u>

The Foundation normally requires that its title sponsor pay this fee (See Note 7).

9. *Concentration of Credit Risk for Cash and Certificates of Deposit Held in Banks*

The Foundation maintains cash balances and certificates of deposit in certain financial institutions in excess of limits insured by the Federal Deposit Insurance Corporation (FDIC), which is a maximum of \$100,000 per account. At February 28, 2003, the Foundation had uninsured balances in the amount of \$1,944,404.

INDEPENDENCE BOWL FOUNDATION, INC.

Notes to Financial Statements
February 28, 2003

10. Prior Period Adjustments

The Foundation's financial statements as of February 28, 2002, contained the following errors: (1) understatement of prepaid insurance by \$12,612, (2) overstatement of accumulated amortization by \$176,160, and (3) understatement of accrued interest payable by \$15,433. Net assets as of March 1, 2002, have been increased by \$173,339 to correct the aggregate effect of the errors. Had the errors not been made, change in net assets for 2002 would have been increased by \$173,339.

SUPPLEMENTARY INFORMATION

OTHER REPORTS



SMITH PUGH & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Independence Bowl Foundation, Inc.
Shreveport, Louisiana

We have audited the financial statements of Independence Bowl Foundation, Inc. (a nonprofit organization), as of and for the year ended February 28, 2003, and have issued our report thereon dated April 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Independence Bowl Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Independence Bowl Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and the Office of the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana

April 3, 2003

SUMMARY OF AUDIT FINDINGS

**INDEPENDENCE BOWL FOUNDATION, INC.
SUMMARY OF AUDIT FINDINGS**

FEBRUARY 28, 2003

Schedule of Findings

None.

Schedule of Prior Findings

01-1 – Failure to transmit timely financial statements to the Office of the Legislative Auditor as required by Louisiana Revised Statute 24513 and the Louisiana Governmental Audit Guide.

Current Status – Corrected during 2003.

OTHER FINANCIAL INFORMATION

SCHEDULE OF GROSS RECEIPTS

Postseason Football Audited Financial Report

Name of Bowl: MainStay Independence Bowl

Date of Game: Dec. 27, 2002

1.	Ticket sales (from Schedule A, line 8)	\$ 1,518,920
2.	a. Gross membership fees	\$ 0
	b. Less approved deduction	(0)
	c. Total	0
3.	Concessions	0
4.	Program sales	0
5.	Advertising	0
	a. Programs	26,176
	b. Radio	_____
	c. Television	_____
	d. Video	_____
	e. Tickets	_____
	f. Total	26,176
6.	a. Gross radio rights	16,500
	b. Less all rights if participant originated broadcast	(4,000)
	c. Total	12,500
7.	a. Gross television rights	500,000
	b. Less unrelated third-party fees	(_____)
	c. Pay-per-view television rights	_____
	d. Total	500,000
8.	a. Gross title sponsorship rights	800,000
	Less: b. Unrelated third-party fees	(_____)
	c. Entertainment expenses	(_____)
	d. Amount(s) allocated to other events	(_____)
	e. Other	(25,000)
	f. Net title sponsorship rights	775,000

9. Merchandising sales	11,924
10. Film/movie/video rights	0
11. Licensing fees	11,924
12. a. Gross corporate sponsors/ contributions	630,638
Less: b. Restricted for direct benefit of competing institutions	(45,242)
c. Restricted for pregame and half-time expenses	(0)
d. Net corporate sponsors/contributions	585,396
13. Other revenues (please specify)	
a. Parking.....	11,254
b.	_____
c.	_____
d. Total other revenue	11,254
14. Total receipts (add totals from lines 1-13)	3,453,094
15. Awards (only if the \$300 max. was provided)	(62,400)
16. Certification fee	(12,000)
17. Officiating Crew travel	(16,108)
18. Letter-of-credit fee	(0)
19. Other deductible expenses approved by the committee	(0)
20. Deductible fees (add totals from lines 15-20)	(90,508)
21. Net gross receipts (subtract line 21 from 14)	3,362,586

Schedule A Ticket Sales

1. Ticket sales	No.	1a. 15,306	1b. \$25	Total 1c. \$ 382,650
		2a. 16,337	2b. 35	2c. 571,795
		3a. 12,665	3b. 40	3c. 506,600
		4a. 463	4b. 125	4c. 57,875
		5a. _____	5b. _____	5c. _____
6. Gross ticket sales (add amounts in column c, lines 1-5)				1,518,920
7. Less — Taxes				(0)

8.	Net ticket sales		1,518,920
9.	a. Stadium capacity 50,015	b. Gross attendance 44,771	Avg. Ticket Price
10.	Number of tickets sold by:		
	11a. University of Mississippi (institution)	11b. 12,008 (number)	33.53
	12a. University of Nebraska (institution)	12b. 12,000 (number)	33.39
	13a. Sponsoring agency before team selections	13b. 15,886 (number)	36.84
	14a. Sponsoring agency after team selections	14b. 4877 (number)	31.96
15.	Total number of tickets sold (add amounts in lines 11-14)		44,771 33.93
16.	Total Number of tickets contractually guaranteed for:		
	17a. University of Mississippi (institution)	17b. 12,000 (number)	
	18a. University of Nebraska (institution)	18b. 12,000 (number)	

Schedule B - Distribution of Total Gross Receipts

19a. Institution University of Mississippi	19b. Percent 37.5	19c. Amount \$ 1,260,970
20a. Institution University of Nebraska	20b. Percent 37.5	20c. Amount \$ 1,260,970
21. Total distribution to institutions (lines 19c plus 20c)		\$ 2,521,940
22a. Gross receipts retained by sponsoring agency or organization	22b. Percent 25	22c. Amount \$ 840,646
23. Total gross receipts (lines 21 plus 22c)		\$ 3,362,586
24. Date of distributions to institutions: March 25, 2003		

Note: Please submit a copy of each of the following: 1) TV and title sponsorship contracts; 2) All gifts-in-kind; 3) All corporate sponsorships; 4) Contractual guarantees between the bowl and a conference(s) or the member institutions; 5) Any financial subsidy provided by a conference(s) to the bowl; 6) Major corporations who may assist the bowl in selling tickets; 7) Statement indicating whether the host city or its subsidiary has contributed financially to the bowl; and 8) Supporting schedules or attachments pertaining to the auditing of all items of income.

Report of Independent Accountants

TO: The National Collegiate Athletic Association.

We have audited the accompanying schedule of gross receipts of the MainStay Independence Bowl

played between the University of Mississippi and the University of Nebraska on December 27, 2002, in Shreveport, Louisiana.

This schedule is the responsibility of the MainStay Independence Bowl management.

Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of gross receipts is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

schedule of gross receipts. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of gross receipts audited by us presents fairly, in all material respects, the gross receipts derived from the above described game and the amounts due to the two participating institutions and the sponsoring organization in accordance with NCAA Bylaw 30.9 and Executive Regulation 31.5.

This report is intended solely for the information and use of the MainStay Independence Bowl and the National Collegiate Athletic Association.

SIGNED D. K. Seal, CPA, CVA DATE 03/25/03
TITLE Manager
NAME OF FIRM Smith Pugh & Company, LLP CITY, STATE Shreveport, LA

RETURN BY APRIL 1 TO:

Keith Martin
National Collegiate Athletic Association
P.O. Box 6222
Indianapolis, Indiana 46206-6222
317/917-6222